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**NEWS RELEASE**

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**NATURAL GAS PRICES AT RECORD HIGHS IN COMING MONTHS**  
*PSC urges consumers to conserve energy, switch to budget billing plans*

FRANKFORT, Ky. (Oct. 27, 2005) – Natural gas prices in Kentucky over the next three months are going to be the highest ever, with the consumers paying an average of 44 percent more than they did a year ago, the Kentucky Public Service Commission (PSC) says.

That is because natural gas distribution companies will be paying about 60 percent more than they did a year ago to purchase the gas they supply to their customers. The cost of gas, which is determined by market conditions, accounts for most of a customer's winter bill.

"Hurricanes Katrina and Rita took what was already a tight supply situation and made it far worse," PSC Chairman Mark David Goss said. "We're not going to see much improvement until the damage to facilities on the Gulf Coast is repaired and supplies return to normal.

"Consumers still have time to weatherize their homes to reduce energy consumption," Goss said. "Those who haven't yet done so should sign up for budget billing plans that give you a predictable heating bill every month."

Natural gas production from the Gulf Coast, which supplies most of the gas used in Kentucky, is now at about half of capacity. Full production is not expected to resume until late this year.

Market conditions have driven wholesale prices sharply higher. Current wholesale prices are nearly triple what they were three years ago.

By federal law, natural gas prices are not regulated at the wholesale level and fluctuate with supply and demand. Under Kentucky statute, gas companies are entitled to recover the wholesale cost of the gas delivered to customers. Companies are not allowed to earn a profit on their gas costs. The companies' gas cost adjustments are reviewed by the PSC to make sure they accurately reflect the wholesale cost of gas.

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Kentucky's five major natural gas distribution companies expect their wholesale cost in November to be, on average, \$12.95 per 1,000 cubic feet (mcf). That is up \$4.82 from an average of \$8.13 per mcf a year ago. In November 2002, the average wholesale cost was \$4.90 per mcf.

The wholesale cost of natural gas accounts for more than three-fourths of a typical consumer's winter bill. For an average Kentucky customer using 10 mcf per month, the wholesale cost increase means that the total monthly bill in the next three months will be \$155.25, up from \$107.56 a year ago, an increase of 44 percent.

The ultimate impact on consumers will depend on the weather during the coming heating season, Goss said. A warm winter that keeps demand low would help keep prices in check, but cold weather that increases demand could drive prices even higher, Goss said.

"That is why it is so important that consumers do whatever they can to reduce the amount of natural gas they use," Goss said.

Goss said the record high prices will mean some people who have never had trouble paying their heating bills may need assistance this winter. Information is available from utility companies or from local community action agencies, he said.

"If you think you may need help, start looking for it now," Goss said. "Do not wait until you and your family are in desperate straits."

About 44 percent of Kentuckians heat their homes with natural gas. Those who heat with propane (10 percent) and fuel oil (3 percent) also will have sharply higher heating bills this winter. Prices for electricity are expected to be slightly higher due to higher coal prices.

Natural gas prices have been rising steadily in recent years. Instead of declining as they historically have done during the warmer months, prices went up this summer as hot weather across much of the nation increased the use of gas to generate electricity to meet peak demand caused by air conditioner use.

About half the natural gas used for winter heating is put into storage in the summer. In the past, this gas was less expensive and helped offset higher gas prices in the winter. This year, it is costing more than ever.

Demand for natural gas in North America continues to increase, and new production has been unable to keep pace. The ability to import gas from overseas is limited.

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The five major natural gas distribution companies in Kentucky are Atmos Energy, Columbia Gas of Kentucky Inc., Delta Natural Gas Co. Inc., Louisville Gas and Electric Co. and The Union Light, Heat, and Power Co. Together, the five companies serve over 750,000 customers in Kentucky and deliver 176 billion cubic feet of gas annually.

The PSC is an agency within the Environmental and Public Protection Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in the Commonwealth of Kentucky and has approximately 110 employees.

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**CONSUMER INFORMATION SHEET FOLLOWS**

## COPING WITH HIGH NATURAL GAS PRICES

### *Information for consumers*

Kentucky consumers can take a number of steps to reduce their natural gas usage or to soften the impact of higher gas costs. They include:

**Budget billing:** This option allows customers to pay the same amount each month, based on their average monthly usage during the year. Customers should contact their utility for more information.

**Energy conservation measures:** Simple steps such as turning down thermostats on furnaces (most people are comfortable at 68 degrees) and water heaters (120 degrees is hot enough for nearly all uses) can be big energy savers.

**Energy audits:** Many local utilities offer home energy audits at little or no cost to consumers. These audits can identify energy-wasting trouble spots and provide information on how to correct the problems.

**Weatherization:** Consumers can do a number of things to reduce inflows of cold air and leakage of warm air, particularly around windows and doors. Some basic weatherization steps include:

- Use caulk or weather-stripping to seal cracks around windows, doors, pipes and other points where cold air can enter the home. This alone can reduce heating costs by 10 percent or more.
- Add insulation in attics, crawl spaces and walls.
- Cover windows, especially those with single-pane glass, with storm windows or plastic sheeting before the onset of cold weather.
- Clean or replace furnace filters monthly to improve airflow and efficiency.

Advice on conserving energy, including links to a wide range of information, also is available from the Kentucky Office of Energy Policy, on the Web at:

<http://www.energy.ky.gov/dre3/>

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Weatherization assistance for low-income families is available in Kentucky. Many utilities offer weatherization assistance in conjunction with local social service agencies. Local social service agencies also offer assistance through a state program administered by the Kentucky Cabinet for Health and Family Services. For information on weatherization assistance, call 502-564-7536, Extension 4235, or go to:

<http://chfs.ky.gov/dcbs/dfs/Weatherization.htm>

Low-income consumers may qualify for assistance with their heating bills through the Low-Income Home Energy Assistance Program (LIHEAP). It is administered at the local level by community action agencies. Consumers who do not qualify for LIHEAP may be eligible for assistance through programs sponsored by their utility company or programs operated by local social service organization. Consumers should contact their utility for more information. Information about LIHEAP is available on the Web at:

<http://chfs.ky.gov/dcbs/dfs/LIHEAP.htm>

For general information about cutting heating costs, utility issues or for assistance with resolving consumer disputes with utilities, contact the PSC by calling 800-772-4636 or go to the PSC Web site at:

<http://psc.ky.gov>